

Weekly Contributions  
Latin America Division, ORC, CIA  
26 December 1949

Latin America Division considers the item on the Cuban-Dominican situation of particular importance because of its implications adverse to the US interest in Hemisphere solidarity.

CURRENT DEVELOPMENTS

GENERAL: The tense situation between Cuba and the Dominican Republic is now being considered by the Inter-American Peace Committee (p. 2).

NORTHERN AREA: In Haiti, man25X6A to overthrow the present regime are expected to continue (p. 2).  
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25X6A In the British Virgin Islands a recent demonstration illustrates increasing dissatisfaction with economic restraints (p. 3). See also the report on the current situation in Guatemala (p. 9).

CENTRAL AREA: See the report on the current situation in Brazil (p. 5).

SOUTHERN AREA: Bolivia's recent army shakeup may foreshadow subservience of the government to army leadership (p. 4).

SPECIAL SUBJECTS

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The Current Situation in Guatemala, . . . . . 9

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Weekly Contributions, D/LA  
(CIA Working Paper)

28 December 1949

1. GENERAL: IAPC considers tense situation between Cuba and the Dominican Republic

The Inter-American Peace Committee, provided for by the Havana Conference and organized July 1948 as a consultative body to assist in the settlement of disputes, is actively considering the differences between Cuba and the Dominican Republic which have led to increased tension in the Caribbean. D/LA believes that the IAPC will suggest that Cuba and the Dominican Republic settle their difficulties between themselves rather than resort to any other inter-American machinery. Trujillo's request for war powers has increased the ill-feeling between the two countries and will make bilateral negotiations difficult at this time. It should be noted, however, that the actual law recently passed by the Dominican "rubber-stamp" congress authorizes Trujillo to declare war "on any country which knowingly protects or tolerates concentrations of forces militarily organized, equipped and trained on its territory for the purpose of invading the Republic...." This is less drastic than Trujillo's original message requesting war powers against any country permitting anti-Trujillo activities within its territory.

2. HAITI: Political Tension

Current political tension in Haiti is evidenced by President Estimé's recent revelation of a plot to assassinate a number of ranking government officials, himself included. Three ex-army officers and several others suspected of conspiring in this plot with Astrel Roland, one-time Haitian colonel now in exile in the Dominican Republic, have been arrested.

The opposition is aware that the January 1950 elections have been rigged in favor of Estimé's supporters, thereby preparing the way for his retention of the presidency after the expiration of the present term in 1952. In the belief that they can only come to power by force, the political "outs" will probably continue their efforts to overthrow the Estimé regime. D/LA estimates that these efforts will not succeed unless accompanied by widespread popular disorders, in which case army leaders would jettison Estimé in order to retain their own favored positions.

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4. BRITISH VIRGIN ISLANDS: Unrest Results from Economic Problems  
A recent incident in the British Virgin Islands is indicative of the difficulties arising from the existence of separate political units within a small and otherwise homogeneous area. Over one thousand British Virgin Islanders (almost one fifth of the total population) demonstrated on 24 November against the immigration barriers of the US Virgin Islands, demanding either relaxation of these barriers or "annexation" by the US. The demonstration followed the repatriation of a number of British Virgin Islanders who had been illegally residing in the US Virgin Islands. The repatriation resulted from the complaints of US islanders that they were losing their jobs to these illegal immigrants, known as "wet backs". Remittances from "wet backs" constituted an important source of income to many British Virgin Islanders, particularly after devaluation.

While US security interests are not notably affected, the situation is illustrative of the problems emanating from the fact that the Antillean area is divided into a number of political entities. Regulations promulgated by the metropolitan governments have inhibited normal commercial activity within the area as a whole, and social and economic difficulties of the European colonial territories have been aggravated as a result. Even the effectiveness of the Caribbean Commission, an international organization created to deal with such problems, is limited by the necessity of working within the framework of policies established by the four metropolitan governments involved.

The conception of an area-wide approach to economic problems pertains particularly to the British territories; it has no particular support in the relatively prosperous Dutch islands, or in the French Caribbean territories where the Communists have inspired fear of US domination. It can be anticipated that, while most of the people of the British West Indies will remain politically loyal to the Crown, there will be increasing dissatisfaction with economic restraints.

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5. BOLIVIA: Army shakeup

The appointment of Brigadier General Quiroga as army commander in chief, although it appears to have averted the threat of a military coup for the present, has probably weakened the position of the civilian government, which faces municipal elections this week. Continuous army plotting (see CIA Wkly, 4 Nov 49) had developed into a struggle between Quiroga and the army commander in chief; Quiroga ultimately demanded that both the commander in chief and his chief of staff resign. The government's accession to such a significant demand by Quiroga, D/IA estimates, increases the likelihood of future army pressure on the civilian government and may foreshadow the complete subservience of the government to army leadership — or, if this is denied, its eventual replacement by a military group.

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The Current Situation in Brazil

(Summary -- The government continues to be stable despite growing political disunity. A solution to Brazil's major economic problem -- external debt position -- is in sight. The armed forces remain loyal to the Dutra administration. Communists continue to be aggressive but are not a threat to the regime. Brazil continues its close cooperation with the US in international affairs.

-- Recent developments in Brazil have not adversely affected US security interests.)

Political

The date for Brazil's presidential election has now been set for 3 October 1950. In the meantime, the two major parties, the Partido Social Democrático (PSD) and the União Democrática Nacional (UDN), seem further from reaching agreement on a presidential candidate than they have ever been. President Dutra's continuing efforts to effect a compromise solution have caused open division in his own party (the PSD) between his adherents and the pro-Vargas faction (see D/LA Wkly, 29 Nov 49). At the same time, his proposals have failed to gain acceptance by the UDN, where a growing partisan movement favors that party's unsuccessful candidate of 1945, Brigadeiro Eduardo Gomes. Only a "non-partisan" military candidate such as War Minister Canrobert (see D/LA Wkly, 18 Oct 49) would now seem to have a chance of holding together the participants in the Inter-Party Accord. All this division and indecision is a boon to opposition candidate Adhemar de Barros of São Paulo (who, in fact, privately takes credit for the appearance of posters in his capital favoring Brigadeiro Gomes). At the moment, Barros' chances for the presidency seem good. There has not yet been any public confirmation of the electoral agreement he claims to have made with Vargas (see D/LA Wkly, 29 Nov 49), although the two have recently conferred. Despite growing political disunity in the administration, the support of the army continues to guarantee stability.

Economic

Brazil's major economic or financial problem, its external debt position, is closer to a solution now than it has been for the past two years. With the aid of a drawing of US\$22.5 million from the International Monetary Fund (see D/LA Wkly, 29 Nov 49), the increased dollar receipts from its coffee sales (see D/LA Wkly, 4 Oct 49), and continued adherence to its strict import-export and foreign exchange regulations, Brazil should be able to pay off most of its commercial dollar backlog within the next two months and to relax some of its controls on imports

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from the US by the second half of 1950. Brazil's external debt position will also be improved by the recently signed agreement with Italy for the unblocking of Italian assets in Brazil. Provisions of this agreement require that a large part of the unblocked assets be invested in a new colonization company to be established in Brazil. During the past three months Brazil also concluded a bilateral trade treaty with Portugal to stimulate trade with that country, and established a 24-month credit agreement with Spain for purchases of Brazilian cotton. The pressure on the Brazilian government for a devaluation of the cruzeiro has subsided, although uneasiness is still evident in some Brazilian trade circles --- particularly among cocoa, textile, and lumber interests.

Inflation remains as a problem for the Brazilian government, but the rate of increase in the cost of living has slackened, and the prices of some food items have actually been reduced during recent months. No complete solution to the problem of inflation appears to be in sight, however.

Although Brazilian Foreign Office officials have appeared sympathetic to the US request that shipments of manganese to the US be increased (see D/LA Wkly, 11 Oct 49), the anticipated increase has not materialized, and only about 6,000 tons were exported to the US during November.

Industrial activity remains brisk with little or no unemployment reported. Some US firms are currently expanding in Brazil and others are making plans to expand in the near future. During the coming months, prospects for continued improvement of the general economic situation are excellent.

#### Military

The Brazilian army is believed to be somewhat below strength, as is normal prior to the annual induction of conscripts which will begin after the first of the year. Only one class, however, that of 1951, is to be called up in 1950. The Brazilian armed forces continue to favor US equipment and training. A decree-law promulgated recently sets up a War College to present courses paralleling those offered in the US National War College and Armed Forces Staff College. US Army, Navy, and Air Force officers have assisted in organizing the new school. There is reason to believe that the Brazilian government was actively negotiating in September for the purchase of 50,000 - 100,000 military rifles from Belgium, although it is not known if the deal was closed. Military morale continues high and the loyalty of the Brazilian armed forces to the present government may be expected to continue.

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Subversive

Brazilian Communists have continued in their course of provoking violence where possible (see D/LA Wkly, 4 Oct 49), although not on such a highly organized scale as was evident several months ago. Only sporadic attempts to hold "peace" meetings have been reported recently, and revived activity in the "petroleum defense" campaign (see D/LA Wkly, 8 Nov 49), has not yet gained great impetus. No reports have been received concerning the national convention on "Defense of Petroleum and the National Economy" which was scheduled to be held in Rio 9-12 December.

Communist capabilities for stimulating hostility of Brazilian liberals toward the government (indicated in D/LA Wkly, 4 Oct 49) were demonstrated in Rio last month. An open-air political meeting sponsored by a Communist-front group, but presided over by well-known non-Communists, ended in a clash between police and demonstrators in which a woman Communist was killed. All witnesses agreed that the meeting had been conducted in a legal and orderly manner, and each side accused the other of starting the shooting without provocation. Opposition members in the Chamber of Deputies placed the blame on the police and pointed out that any political gathering would be at the mercy of the Communists if their mere presence at a meeting was cause for police intervention. Under fire from the Chamber and the press, the Minister of Justice promised a thorough investigation and announced a new set of instructions for policing public meetings. It is doubtful, however, if these will prevent further trouble of the same sort. Despite their capabilities for disturbing public order and aggravating the ill-feeling of the non-Communist opposition towards the administration, Brazilian Communists are still in no position to threaten the national security and are not expected to make any gains in this direction in the near future.

International

US security interests continue to be favored by Brazil's international policies and practices. Brazil continues its general policy of prior consultation and close cooperation with the US in the international field. The desire of Brazil for the maintenance of good relations with the US is evidenced by its recent action in regard to a new shipping decree which would require that all southbound cargo charges be paid in cruzeiros instead of dollars --- a proposal opposed by some US officials and all US maritime interests affected. In spite of the Foreign Minister's expressed belief that the decree is really a matter of domestic jurisdiction and one that will protect and further vital Brazilian interests, he has agreed to consult with US officials and to give them a hearing before any final action is taken. Another

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example of Brazil's close cooperation was its informing US Embassy officials in Rio that Brazil was not actively considering recognition of Communist China but was watching developments and was anxious to be kept informed of US policy regarding China. Fortunately for US-Brazil relations, the sensational publicity given to US Congressional hearings on the coffee prices, which appeared to place the onus of trouble on Brazil, was ended before there was any serious threat to the good relations existing between the two countries.

The Foreign Minister has advised the US that Brazil will oppose establishment of a high commissioner under the UN to handle refugee problems when IRO is terminated, as it was his belief that it would be both illegal and too costly. Brazil can be expected to continue its efforts to cut costs in the operation of the UN and its specialized agencies. During the past three months, economic agreements were concluded with Spain, Portugal, and Italy. (See Economic section.) There has been no change in Brazil's relations with its neighbors. (See D/IA Wkly, 4 Oct 49.)

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The Current Situation in Guatemala

(Summary — Although the army remains a potential threat to the stability of the Arévalo government, the possibility of an army revolt in the coming months has decreased. In domestic political affairs, the government continues a cautious, moderate course. The national economy remains stable. Conditions remain unfavorable for the expansion of Communist influence. No change in the basic objectives of Guatemalan foreign policy is apparent. Relations with the Caribbean "dictatorships" remain unfriendly.

-- A favorable development, from the standpoint of US security interests, is the increased stability of the Arévalo government, in conjunction with its conciliatory attitude toward US business interests and possible minimization of its aid to Caribbean revolutionaries.)

Political

The political situation is characterized by an easing of tension. The government has not, in general, deviated from the cautious course on which it embarked soon after the assassination of Col. Arana in July. Since the removal of Muñoz Meany as Foreign Minister, no other prominent leftists have left the government. However, foreign service appointments have been given to a number of persons allegedly involved in the Arana assassination plot and to leftists unpopular in Guatemala. Removal of these individuals from the local scene has possibly aided in reducing domestic political tensions.

A moderate course is also being taken by the three Arevalista political parties (the PAR, PRN, and the FPL), as has been indicated by their rejection of Jorge García Granados as a coalition presidential candidate. García Granados, one of the principal authors of the liberal 1945 constitution and a prominent leftist politician and diplomat, has not abandoned his candidacy, and a new party, the Partido del Pueblo, has been formed to support him.

D/LA estimates that there will be no great change in the political situation in coming months.

Economic

The economy of Guatemala, largely dependent upon the production and sale of coffee, remains basically sound and shows no signs of adverse change in the near future. Despite flood damage, the coffee crop is expected to equal that of last year. Coffee income should

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be higher this year, due to increased prices, and should help to correct the adverse trade balance. It is true that a large number of Guatemalan producers, who sell their coffee on contract, will not benefit from the recent sharp rise in coffee prices. However, coffee produced on government-operated farms, which is sold at auction, should bring in larger revenues, which should aid the government in extricating itself from current financial difficulties. Proceeds from a 15 percent increase in coffee export taxes, and other possible tax increases, may help the government balance its budget. If this appears possible, it is unlikely that Guatemala will ask for a rehabilitation loan from the International Bank, which would be politically undesirable in an election year.

Guatemalan government officials have continued their rather conciliatory attitude toward US business interests. However, with the complete withdrawal of US petroleum interests, the possibility of the early exploitation of Guatemalan oil reserves has vanished.

#### Military

Although the loyalty of the army to the Arévalo government remains questionable, the possibility that Major Paz Tejada (the new Chief of the Armed Forces) will lead a revolt or attempt to disarm or disband civilian leftists now appears slight. Major Paz, who revealed such plans soon after his appointment, has displayed inexperience and a lack of confidence in his own resources. Moreover, disastrous floods in October permitted the government to declare a national emergency, followed by the suspension of constitutional guarantees, in the course of which a number of oppositionists (including some former army officers) were arrested and deported. While the sympathies of the army were indicated by the acquittal, in a military court, of 21 officers accused of participation in the revolt of 18-19 July, the strength of anti-army elements in the government is shown by the subsequent sentencing of these men to prison terms.

#### Subversive

With the existing leftist political parties seeking a compromise candidate, and with the government itself following a more cautious and moderate policy, conditions are unfavorable at this time for the expansion of Communist political influence. In the field of labor, there has been little change in Communist influence. In governmental affairs, it is true that the strongly pro-Communist Carlos Manuel Pellecer was recently given an appointment in the Guatemalan legation in Paris, which may indicate that the new Foreign Minister, González Arévalo, is not immune to leftist pressure within the government. Pellecer, who would have been in a strategic position to aid European Communists had he not been deported to Belgium by the French government, is, by US standards, a dangerous troublemaker. However, in view of other recent

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foreign service appointments, his appointment may have been due to a desire, on the part of the administration, to remove him from the local political scene and to ease domestic tension. This is suggested by the determination with which the government ignored French protests prior to Pellecer's departure.

Communists and pro-Communists may be expected to become more active as they attempt to coordinate and consolidate their activities in the 1950 political campaign, but D/LA considers any significant expansion of Communist influence in Guatemala unlikely at the present time.

International

Guatemala's foreign policy remains basically unchanged. Its fundamental principles continue to include opposition to "dictatorships", cooperation and friendship with "democracies", opposition to "colonialism", and a fundamental alignment with the US. Current emphasis is being placed upon the betterment of relations with the US and the denial of official involvement in plots to overthrow the governments of other circum-Caribbean countries.

The continued presence in Guatemala of Caribbean Legion members and the known antipathy of Arévalo's administration to Trujillo and Somoza have been manifest in numerous rumors, accusations, and implications. In recent months, however, there has been no concrete evidence that foreign revolutionists within Guatemala have been aided by the Guatemalan government in their plots against Honduras, Nicaragua, or the Dominican Republic. D/LA considers it doubtful that the Guatemalan government will, in coming months, give material aid to such revolutionists, or that it will greatly encourage their activities.

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